

STATE OF MAINE
PUBLIC UTILITIES COMMISSION

Docket No. 98-820

August 21, 2000

BANGOR HYDRO-ELECTRIC COMPANY
Request for Approval of Sale of Generation
Assets

ORDER EXTENDING
DEADLINE FOR DIVESTITURE
OF GENERATION ASSETS

WELCH, Chairman; NUGENT and DIAMOND, Commissioners

We extend the deadline for Bangor Hydro-Electric Company (BHE) to divest certain generation-related assets: the Sebec dam until April 1, 2001; the Lock dam until January 31, 2001; and the Graham Station Units Nos. 4 and 5 until January 31, 2001.

By Order of March 17, 2000 in this docket, we authorized BHE to transfer the Sebec dam and certain land adjacent to the dam to Swift River Hafslund L.L.C. (Swift River). We also extended the deadline of the transfer to Swift River from March 1, 2000 to July 1, 2000.

In the same March 17 Order, we authorized BHE to transfer its interest in the Lock dam to the Bureau of Parks and Lands within the State of Maine Department of Conservation. BHE also asked for and received an extension of the divestiture deadline to July 1, 2000.

By Order dated January 11, 2000, also in this docket, we authorized the sale of BHE's Graham Station Units 4 and 5 and certain associated materials and equipment, to I.I.S.A., Inc. of Seabrook, New Hampshire. BHE did not seek an extension of the March 1, 2000 deadline to divest its Graham Station Units 4 and 5.

On June 30, 2000, BHE moved to extend the deadlines to divest the Sebec and Lock dams and Graham Units 4 and 5. The Sebec dam is leased to Swift River, and is used to maintain water levels at Sebec Lake and to divert outflow to Swift River's hydro facility. BHE and Swift River have a Purchased Power Agreement (PPA) as to the hydro facility. BHE's lease revenue from the Sebec dam is a function of the PPA revenue Swift River is paid. In seeking and receiving authorization to transfer the Sebec dam to Swift River for no consideration, BHE assumed that Swift River would receive less PPA revenue after 1999. In its June 30 filing, BHE states that Swift River and BHE now dispute the proper post-1999 PPA revenue. Until the PPA dispute is resolved, BHE cannot be certain that its plan to give up the Sebec dam lease revenue produces the greatest stranded cost mitigation. BHE requested an extension of time to divest Sebec dam to allow BHE to accurately determine the most economical manner to divest the Sebec dam or alternatively to seek a further extension to divest until the lease is no longer profitable. BHE asked for an extension of the deadline to April 1, 2001.

The Lock dam is partially located on land which is owned by Great Northern Paper Company (GNP). GNP has requested that the State enter into a lease for its property associated with the Lock dam. The State and GNP have been engaged in ongoing negotiations regarding the terms of the lease. The State has deferred

accepting the Lock dam from BHE until a lease is executed or the issue with GNP is otherwise resolved. As the transfer of the Lock dam to the State, in BHE's view, remains the best alternative to divest the Lock dam, BHE asked for an extension of the divestiture requirement to January 31, 2001.

BHE states that the contract between BHE and I.I.S.A. for the purchase and sale of the Graham Station Units 4 and 5 has not been executed or performed because of the illness of the president of I.I.S.A. BHE remains contractually committed to sell the units and believes that I.I.S.A. remains the best means to mitigate stranded costs associated with the units. Therefore, BHE asked for an extension of time until January 2001 to close the transaction with I.I.S.A.

We accept the reasons offered by BHE for extending the deadlines as described above, and that such extensions will permit BHE to pursue reasonable means to reduce its potential stranded costs.

Accordingly, we

O R D E R

1. That the deadline for Bangor Hydro-Electric Company to divest its interest in the Sebec dam is extended until April 1, 2001;
2. That the deadline for Bangor Hydro-Electric Company to divest its interest in the Lock dam, including the assignment of certain associated rights and privileges, to the Bureau of Parks and Lands within the State of Maine Department of Conservation is extended until January 31, 2001;
3. That the deadline for Bangor Hydro-Electric Company to divest its Graham Station Units No. 4 and 5 and certain associated materials and equipment, is extended until January 31, 2001.

Dated at Augusta, Maine, this 21st day of August, 2000.

BY ORDER OF THE COMMISSION

Dennis L. Keschl
Administrative Director

COMMISSIONERS VOTING FOR: Welch
 Nugent
 Diamond

NOTICE OF RIGHTS TO REVIEW OR APPEAL

5 M.R.S.A. § 9061 requires the Public Utilities Commission to give each party to an adjudicatory proceeding written notice of the party's rights to review or appeal of its decision made at the conclusion of the adjudicatory proceeding. The methods of review or appeal of PUC decisions at the conclusion of an adjudicatory proceeding are as follows:

1. Reconsideration of the Commission's Order may be requested under Section 1004 of the Commission's Rules of Practice and Procedure (65-407 C.M.R.110) within 20 days of the date of the Order by filing a petition with the Commission stating the grounds upon which reconsideration is sought.
2. Appeal of a final decision of the Commission may be taken to the Law Court by filing, within 30 days of the date of the Order, a Notice of Appeal with the Administrative Director of the Commission, pursuant to 35-A M.R.S.A. § 1320(1)-(4) and the Maine Rules of Civil Procedure, Rule 73, et seq.
3. Additional court review of constitutional issues or issues involving the justness or reasonableness of rates may be had by the filing of an appeal with the Law Court, pursuant to 35-A M.R.S.A. § 1320(5).

Note: The attachment of this Notice to a document does not indicate the Commission's view that the particular document may be subject to review or appeal. Similarly, the failure of the Commission to attach a copy of this Notice to a document does not indicate the Commission's view that the document is not subject to review or appeal.